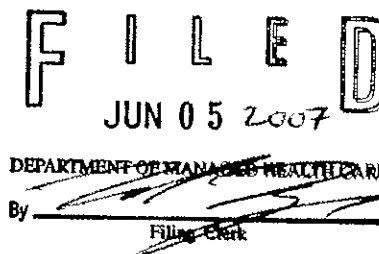


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Attorneys for the Department of Managed Health Care

**BEFORE THE DEPARTMENT OF MANAGED
HEALTH CARE OF THE STATE OF CALIFORNIA**

IN THE MATTER OF:)	
)	ENFORCEMENT MATTER No. 07-263
Blue Cross of California)	
)	CONSENT AGREEMENT
)	RE PROVIDER NOTIFICATION OF
)	CHANGE IN RATES

I. RECITALS

THIS CONSENT AGREEMENT is entered into as of the 5th day of June, 2007, by and between Blue Cross of California ("Blue Cross") and the California Department of Managed Health Care ("Department" or "DMHC").

Blue Cross is a full service health care service plan, subject to the regulatory jurisdiction of the Department under Health and Safety Code sections 1340 et seq., the Knox-Keene Health Care Service Plan Act of 1975 as amended (the "Knox-Keene Act").

On or about May 14, 2007, the Department commenced its investigation of complaints by certain health care service providers that Blue Cross was violating the provider bill of rights by not providing adequate notice and full disclosure of a change in contract terms, specifically new rates.

Blue Cross and the Department enter this Consent Agreement in order to avoid the costs and resources which would otherwise be expended in resolving this matter.

II. FINDINGS AND ACKNOWLEDGEMENTS

The Department has found and, for the purposes of this Consent Agreement, Blue Cross acknowledges, as follows:

- A. The Knox-Keene Act applies to this matter and requires Blue Cross to provide 45 business days' notice to a provider for any change to a material term of the contract. Rates are considered a material term of the contract.
- B. On or about February 26, 2007, Blue Cross represented it sent notice via certified mail to its PPO providers of a change in rates to take place on June 1, 2007. Included was a list of rates for 500 CPT codes representing approximately 90% of the most commonly billed procedures. However, this list was not exhaustive. For rates that were not included in that list, Blue Cross stated in the notice that all of the new rates could be obtained online through its website as of April 15, 2007, or via a fax form that was attached.
- C. On May 14, 2007, the Department received complaints from providers that they did not receive written notice of the change in rates from Blue Cross, that the website did not provide the rate information, that the fax form was to be completed with "only the codes referenced in the February 26th letter," for which rates had already been provided, and that the turn around time for the faxed information was delayed in some instance for over two weeks.
- D. Online rate information for the new rates was not available until June 1, 2007.

III. CORRECTIVE ACTIONS TO BE COMPLETED AND/OR MAINTAINED BY BLUE CROSS:

- A. Although Blue Cross contends that it complied with its contractual and regulatory requirements, it will postpone the rate changes that were to take effect June 1, 2007, as requested by the Department.
- B. Blue Cross is extending the effective date of changes to its Prudent Buyer PPO physician reimbursement rates by 45 business days from June 1, 2007, the first day that full disclosure of the change in rate information was available on the internet, via the Blue Cross website.

- C. During this extended notice period, the provider has the right to terminate the contract prior to the implementation of the change, pursuant to the terms of the provider's contract with Blue Cross.
- D. The rate changes will take affect on August 6, 2007.

IV. ENFORCEMENT MATTERS

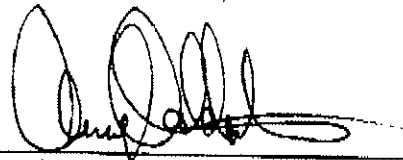
- A. Based on the above corrective actions, no cease and desist order will issue.
- B. Based on the above corrective actions, no further investigation or enforcement action will be commenced, unless evidence of Blue Cross' substantial non-compliance with the recitations set forth in this Consent Agreement is brought forth to the Department. Nothing in this Consent Agreement in any way affects the Department's ability to fully investigate and enforce any breach of this Consent Agreement.

IN WITNESS WHEREOF, the parties hereby execute this Consent Agreement by the signatures of their respective duly authorized officials.

**CALIFORNIA DEPARTMENT OF MANAGED
HEALTH CARE**

Dated: June 5, 2007

By

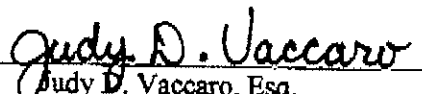


Amy L. Dobberteen
Assistant Deputy Director and
Chief of Enforcement

BLUE CROSS OF CALIFORNIA

Dated: June 5, 2007

By



Judy D. Vaccaro, Esq.
Executive Counsel